

IS THERE A ROLE FOR
GOVERNMENT IN CO-OPERATION?

SPEAKER: BILL KILPATRICK
REGISTRAR OF CO-OPERATIVE SOCIETIES

REGISTRAR'S SPEECH TO THE MACC SEMINAR - 23RD JUNE, 1984

Fellow co-operators.

1. It has been said that the co-operative kind of business becomes sluggish under the heavy hand of the bureaucracy. The co-operative mystique is like quicksilver: put an official finger upon it, and it slips away.

I wonder if this is true. The co-operative movement has historically stressed the need for self reliance and independence from the State. Power must lie with the individual members, formed into communities or the workplace, and not the region or the nation. But this has never been intended as parochialism: on the contrary, it is these local groups which, co-operating with each other, form a loose co-operative structure for the whole of the nation and the world. I believe that more work is needed to develop this co-operative structure, and this will be one of the main themes of my discussion today of the role Government can play in the co-operative movement.

The subject of relations between the co-operative movement and the State (and I use "the State" in the general sense, and not just referring to the State of Victoria) has been a difficult one for more than 100 years. It is a major area of ideological difference and dispute within the co-operative movement as a whole. There are wide variations in different parts of the world, although in those countries which have a democratic system the differences are much more slight, since democratic government and co-operative organisations have in common a belief in the worth of the individual person.

The question itself is a complex one, because it varies not only from country to country but also from time to time, and also from one type of co-operative organisation to another.

2.

What is important is that co-operators should have close relations with their government to ensure that there is full understanding of the basis of co-operative philosophy and practice.

Co-operation is not a rigid doctrine, although the principles behind it are sound and well established. But they must be adapted to local circumstances and changing times.

In Australia we have a long tradition of Government doing things because they are on too large a scale to be done by individuals or groups. I think in particular of railway networks, national and international airlines, electrical and telecommunications networks, and other major works and services. This involvement has been a positive one and reflects the effectiveness of Australia's democratic institutions and the expectations of Australians that Government assume responsibility for the provision of community services.

I believe there has been a long tradition in Australia, and especially in Victoria, of Government working in consultation with the community, rather than dominating it.

We live in the "Commonwealth" of Australia. Whilst the meaning of this term may have become lost in history, I believe it signifies a cultural egalitarianism which was very marked in some of our early writers. It was demonstrated in the mateship of the bush in the nineteenth century, and the easy going discipline of our armed forces so much remarked on by other nations which were more hierarchical and class structured. While Australians expect government to have an active role, they do not appreciate an intrusive or dominating bureaucracy which attempts to impose its will on the community.

3.

There are big changes going on in Government, and the old stereotype of the heavy handed bureaucrat need no longer be true. I believe to be a bureaucrat is a noble calling.

To start with, bureaucrats have no independence. They have no intrinsic power. They are nothing more nor less than the staff of the Government, and in our society the Government is answerable to the people at the polling booth.

We are at last bringing forward some of our best citizens as members of Parliament. I believe there are some sensitive and enlightened elected representatives in many of the Parliaments around this country, and they are beginning to have their say in Government.

They in turn are being joined by sensitive and enlightened bureaucrats who understand their true position, are prepared to give strong and impartial advice to their political masters, but who are then prepared faithfully to carry out the policy decisions of the Government.

The so called doctrine of official independence, which is the basis of the television series "Yes Minister", has no legal or constitutional basis. The programme is avidly watched by politicians and bureaucrats alike and it is a major talking point within the Government. It contains a sombre warning for those who would seek to subvert the proper democratic processes. Also it is important to note how unsuccessful the bureaucrats in that programme really were: they might survive, but they did little to advance the cause of their government or community.

Contact between Government and the co-operative movement is likely to increase in the increasing complexity of modern society. Whilst Government must respect and have a deep understanding of the private nature of the movement, the movement naturally recognizes that the State, as

represented by the Government in power, is responsible for the fiscal management of the economy, whether it be the State or the national economy , and for the legislative framework within which co-operatives, companies and individuals conduct their affairs. Within that overall level of control and co-ordination, co-operatives, just like companies, must be free to go about their legitimate activities.

2. Within these parameters, I believe there is much that the Government can do to assist and encourage the co-operative movement, and I propose to examine some of these now.

The first thing Government can do is to further develop and refine its policies with respect to the co-operative movement. The Victorian Government is developing its views right now. That is the purpose of this Seminar, it is the purpose of the Ministerial Advisory Committee on Co-operation which is organising this Seminar, and it is one of the principal purposes of the Financial Institutions Review which has just been published for public debate this week.

Broadly speaking, the recommendations of the Financial Institutions Review should ensure that the various financial institutions which are co-operative or partly co-operative in their structure and philosophy - building societies, credit societies, co-operative housing societies, and industrial and provident societies - should be able to retain and develop their links with the co-operative movement in general, and could work together to finance the development of the movement. Most importantly they should be able to develop the national finance facilities required to assist and provide cohesion within the movement.

This is based on the simple concept that unity is strength. As banks are progressively deregulated, the report recommends that all legal and administrative restrictions which unnecessarily regulate co-operative finance institutions

5.

should be removed to encourage growth in the co-operative sector, especially among finance co-operatives.

Finance co-operatives such as building societies and credit co-operatives have a great strength which banks do not have, in that they are community based. This is seen by the Government as a strength rather than a weakness, and that it should be encouraged. There is an irony here, that in order to encourage the development of community based co-operatives throughout the nation, they should organise at the national level. Yet I believe this is nothing more than implementing the sixth international principle of co-operation, namely that co-operative organisations should co-operate with each other at the local, national, and international levels. This in turn is nothing more than the concept of a co-operative sector.

The Financial Institutions Review has gone to great lengths to define the co-operative sector so that it is seen in the minds of the public as a quite distinct sector from the company sector, and equally as a distinct sector from the Government sector.

It is hoped that, with the development of national finance facilities for building societies and credit societies, the time will come when there is a co-operative bank to service the whole of the co-operative movement, thereby avoiding the situation where banks cream off the surplus of the co-operative sector. The Government would prefer that this cream remain with the co-operative sector to the benefit of the members.

The Victorian Government has been taking two initiatives in parallel, namely the Financial Institutions Review and the Ministerial Advisory Committee on Co-operation. This is not accidental, and there is no duplication, although the two initiatives are part of the one project. They recognise the essential nature of the co-operative movement, namely that it is concerned with sound business-like

6.

management of material things, while at the same time concerned with human values. A balance must be achieved between the two. One is not necessarily at the expense of the other, and in fact the genius of the co-operative philosophy is that it is able to achieve a balance between the two, as distinct from the company sector which quite legitimately has as its primary objective the creation of profit. The Government recognises this as a legitimate pursuit and there is no criticism intended of that important entrepreneurial sector of the economy.

I believe that it will be a most important step for the co-operative movement when the Government of Victoria, the Governments of all the other States and Territories, and the Commonwealth, all declare that they see the co-operative movement as an important and innovative third sector of the Australian economy and society. This in itself would be a major contribution to the development of the movement, simply to have an openly and sincerely declared support for it. It would be recognition in the political debate of the nation that the co-operative movement has a major role to play, it would arouse the interest of those who are presently unaware of it, and it could lead to the influx of new talents, skills, disciplines, and energies presently directed elsewhere.

The Victorian Government is well on the way to developing such a commitment, and if the recommendations of the Financial Institutions Review are adopted (which will only be after much public debate) the co-operative movement will have received a significant boost.

3. An important interface between Government and the co-operative sector is legislation. In this case we are primarily concerned with the Co-operation Act, although other Acts impinge including the Companies (Victoria) Code, the Building Societies Act, the Friendly Societies Act, and others.

An enlightened and reformist Government can play a major role in ensuring that the message from the people - and that is all, in essence, an Act of Parliament is - is supportive and constructive in its ambit. It should be prepared in the closest consultation with those it affects, and this is one of the primary purposes of today's Seminar. It should also be as simple and clear as possible, and I might add as short as possible. The present Act is very long, tortuous, complex, and unclear in its implications. We seek to remove all unnecessary legal and administrative barriers to the development of the co-operative movement.

Nevertheless, our society is a society governed by the rule of law and its reform is a complex process. What has to be ensured is that the law is enlightened and appropriate to modern circumstances. In the case of the co-operative movement, if the Government adopts the policy that the co-operative sector should be identified and encouraged, then the legislation should reflect this by clearly defining what is meant by co-operation. This presumably will be based on the six international co-operative principles, and there will be power in the Government to refuse to register or to deregister organisations which did not broadly comply with the co-operative principles.

I stress that this in no way casts doubt on the legitimacy of other forms of organisation. It simply defines the co-operative sector. Other perfectly legitimate organisations would have the alternative of registering under the Companies (Victoria) Code, the Associations Incorporation Act, or some other legislation, if indeed it was necessary for them to register at all.

Having then sent their message, and having it enacted in law, the people are entitled to ensure that it is observed. This is another important role of the Government in the co-operative movement, namely to ensure that legislation is adhered to, and that the interests of the people as a whole are not being subverted by illegal, fraudulent

8.

or incompetent conduct. At this important time in the development of the co-operative movement, the Government and the people cannot afford to have co-operatives which fail due to any of these weaknesses, and bring the reputation of the movement into question, as well as causing suffering and loss to the members concerned.

4. Another role of Government is that of nurturer. In a sense, the co-operative movement is in its infancy, and in particular the new and exciting applications of it need encouragement by way of moral support and financial support. This of course is always open to the danger that the Government is intruding and destroying initiative, and great care, skill and sensitivity are needed to know just which endeavours should be encouraged, how they should be encouraged, how much funding should be provided, and when funding should cease. These are all difficult questions which can only be resolved by close consultation between Government, the movement, and individual organisations. There seems little doubt that this is a legitimate role for the Government, but it must be done in such a way that it genuinely assists growth towards independence, and is not a form of domination.

It has been argued that there is a strong case for a development fund, contributed to by Government at all levels and also from other sources, and that it should be administered by a network of co-operative councils comprising representatives of both Government and the co-operative movement in all States and the Commonwealth.

5. I believe it is necessary for the Victorian Government and indeed for all the Governments of Australia to co-ordinate their own activities in so far as they relate to the co-operative movement.

There are several departments in Victoria involved in the co-operative movement, including the Ministry of Housing, the Ministry of Employment and Training, the Department of Management and Budget, the Department of Industry Commerce and Technology, and the Law Department.

Due to our constitutional structure, there are all the State and Territory Governments and the Commonwealth Government, many of whom have the same problems that Victoria has.

In our consultations with the Commonwealth about the Financial Institutions Review and the Ministerial Advisory Committee on Co-operation, we have found several departments involved, including Prime Minister and Cabinet, Treasury, Attorney-General's, Housing and Construction, and Education and Youth Affairs.

If there is to be a co-operative sector, and it is accepted by all Governments, then it would appear appropriate that there be some co-ordinating mechanism at both the State and Federal levels.

If this is to be a genuine partnership between Government and the co-operative sector, in a truly co-operative spirit, then it would follow that these co-ordinating bodies should comprise representatives of both Government and the co-operative sector. I believe there is a pressing need for all the Governments in Australia to consult and to co-operate with each other on the development of the co-operative sector.

Thus, I am proposing that each State should have its own co-operative council, and that there should also be a national co-operative council.

These State and national bodies should be responsible for representing the co-operative sector to the Governments concerned, obtaining and distributing development funds,

promoting the co-operative movement in the community, developing and co-ordinating education programmes throughout the nation, providing advice to Ministers and Registrars, co-ordinating the co-operative movement, and conducting research into co-operation.

I believe these councils can provide unity within the movement without destroying its wide diversity, and that they can achieve balance between the various interests within the movement which sometimes requires the resolution of disputes. If we adopt this loose framework at this early stage of Australia's co-operative development we will avoid the fragmentation and duplication which other countries have suffered. On my recent overseas visit I was strongly advised to take this opportunity to have a well co-ordinated movement from the start.

I believe the councils can also develop within the movement the expertise in the wide range of disciplines which are needed for its development, including management consultants, accountants, auditors, lawyers, advertising consultants, and the whole range of expert disciplines which are part of the modern society.

6. I believe that Government at all levels can assist in the implementation of the fifth international principle of co-operation, namely education in the co-operative principles. It has been a deeply entrenched part of the Australian way of life for more than 100 years that Governments at State and Federal levels provide education. The vast Government education network is an obvious method of dissemination of co-operative education, and I believe the Government through the councils I am proposing could consider whether co-operative education should be introduced as a normal part of the school syllabus at primary, secondary and tertiary levels. This is already the case in many countries. The Ministerial Advisory Committee on Co-operation will investigate such issues.

7. We are mainly Victorians here today, but we are also Australians, and co-operators or potential co-operators. We are also citizens of the world and part of an international movement which provides a hope for the world in times when there is so much despair when one considers the international arms race, the poverty and starvation in the world, and the cynicism of so many people.

I believe co-operation has a hopeful balance of the idealistic and the realistic, and that it is of the essence of co-operation that those who practise it are integrative in their thought processes, seeking to find those areas of thought and activity which we have in common rather than those which separate us.

Therefore, I believe that the difference between Government and the co-operative sector need not be a stumbling block, provided each understands his or her responsibilities and each is determined to work together in a co-operative spirit.

None of the things we are aiming for will be achieved quickly or without conflict. Nevertheless, stalwart determination to succeed against all obstructions will bring results which will lead to a better life for the people of this State, and of this nation. We should not forget, once we are organised at the State and Federal levels, that we are then in a position to fulfil our international responsibilities, and move towards a regional co-operative organisation for, perhaps, the Pacific basin. We should then commence to play our part in the International Co-operative Alliance. Perhaps what I am advocating is the brotherhood of man or, more correctly, the siblinghood of person!

In the end, the future of the co-operative movement depends, not on the Government, but on the enthusiasm, energy, and commitment of those involved in the movement, regardless of whether they happen to work for the Government or an individual co-operative.